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March 5, 2015

The Honorable Jack Brandenburg
Chair, Senate Finance Committee
Michigan Senate

605 Farnum Building
P.O. Box 30036
Lansing, MI 48909-7536

Dear Senator Brandenburg:

I very much appreciate the prompt hearing on House Bill 4051, scheduled for March 10, 2015. I plan to make a few remarks; however, I'm providing a more detailed summary in this letter.

The bill will allow the Michigan Department of Treasury to disclose information on Service Fee and tax exempt housing units to Volunteer Income Tax Assistance programs and other return preparers. Treasury obtains this information in the process of determining the correct amount of the Michigan Homestead Property Tax Credit.

For calculation of the credit, taxpayers who live in rental housing units that pay property taxes are considered to pay property taxes in the amount of 20% of the rent paid. Service Fee (PILOT) housing units qualify for the Homestead Property Tax Credit, but since the rent percentage is only 10%, in many cases a credit does not calculate or is half of the full amount. Tax exempt housing does not qualify for a credit.

The determination of which housing units are Service Fee or tax exempt housing for computation of the credit for renters is a very difficult, frustrating, and long-standing issue that impacts the quality of service for many taxpayers. In many cases the tenants and even the property managers do not know the tax status. Free tax assistance programs such as Volunteer Tax Assistance (VITA) and other preparers throughout the state trying to prepare correct returns have struggled with this issue for years.

Michigan Treasury has an internal list that they use routinely for adjustments to reported credits for many lower income taxpayers. Treasury sent adjustment letters on this issue to over 13,000 taxpayers in 2012 alone.

Without this legislation, Treasury's long-standing position is that even though the underlying data that they use for adjustments is obtained from public sources, once they receive it, it cannot be disclosed to return preparers under Section 28.(1)(f) of the Revenue Act (PA 122 of 1941). House Bill 4051 will remove that barrier.

I urge the Senate Finance Committee to report HB 4051 with favorable recommendation.

Sincerely,

Marshall J. Hunt, CPA
Director of Tax Policy and Advocacy

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